

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Otsego
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Township of Otsego, Michigan's operations over the fiscal year and its financial condition on March 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$177,083 (3 percent) as a result of this year's operations.
- Of the \$5,350,035 total net assets reported, \$1,669,989 is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$392,985, which represents 54 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - The governmental fund statements tell how general governmental services like public works and public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the Township operates like a business. The Township's proprietary fund accounts for its water and wastewater systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2006 and 2005 is also presented.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services. The Township's water and wastewater system operations are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues (like the refuse collection millage).

The Township has three kinds of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Proprietary funds.* Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$5,350,035, an increase of 3% from the prior year. However, \$3,595,192 of this total is invested in capital assets, and \$84,854 is restricted for public works. Consequently, unrestricted net assets were \$1,669,989, 31% of the total.

Condensed financial information
Net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Current and other assets	\$ 572,264	\$ 691,756	\$ 1,224,773	\$ 1,082,370	\$ 1,797,037	\$ 1,774,126
Capital assets	705,595	617,427	4,604,597	4,714,376	5,310,192	5,331,803
Total assets	1,277,859	1,309,183	5,829,370	5,796,746	7,107,229	7,105,929
Long-term debt outstanding	-	-	1,715,000	1,885,000	1,715,000	1,885,000
Other liabilities	26,666	33,541	15,528	14,436	42,194	47,977
Total liabilities	26,666	33,541	1,730,528	1,899,436	1,757,194	1,932,977
Net assets:						
Invested in capital assets, net of related debt	705,595	617,427	2,889,597	2,829,376	3,595,192	3,446,803
Restricted	84,854	101,682	-	-	84,854	101,682
Unrestricted	460,744	556,533	1,209,245	1,067,934	1,669,989	1,624,467
Total net assets	\$ 1,251,193	\$ 1,275,642	\$ 4,098,842	\$ 3,897,310	\$ 5,350,035	\$ 5,172,952

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues in 2006 are \$775,843. Approximately 44% of the Township's revenues come from state shared revenue while charges for services account for 31% of the total revenues. About 21% of total revenues come from property taxes.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Program revenues:						
Charges for services	\$ 239,076	\$ 222,908	\$ 357,208	\$ 333,191	\$ 596,284	\$ 556,099
Operating grants	5,093	6,335	-	-	5,093	6,335
Capital grants	-	-	345,427	267,268	345,427	267,268
General revenues:						
Property taxes	159,832	151,069	-	-	159,832	151,069
State shared revenue	344,469	340,988	-	-	344,469	340,988
Interest income	13,916	15,233	39,565	27,059	53,481	42,292
Other	13,457	15,600	-	-	13,457	15,600
Transfers	-	(25,000)	-	25,000	-	-
Total revenues	<u>775,843</u>	<u>727,133</u>	<u>742,200</u>	<u>652,518</u>	<u>1,518,043</u>	<u>1,379,651</u>
Expenses:						
Legislative	4,500	5,170	-	-	4,500	5,170
General government	407,917	397,688	-	-	407,917	397,688
Public safety	177,557	202,555	-	-	177,557	202,555
Public works	149,677	134,755	-	-	149,677	134,755
Community and economic development	43,208	29,108	-	-	43,208	29,108
Culture and recreation	17,433	14,000	-	-	17,433	14,000
Public utilities	-	-	540,668	586,897	540,668	586,897
Total expenses	<u>800,292</u>	<u>783,276</u>	<u>540,668</u>	<u>586,897</u>	<u>1,340,960</u>	<u>1,370,173</u>
Increase (decrease) in net assets	<u>\$ (24,449)</u>	<u>\$ (56,143)</u>	<u>\$ 201,532</u>	<u>\$ 65,621</u>	<u>\$ 177,083</u>	<u>\$ 9,478</u>

Governmental activities

Governmental activities decreased the Township's net assets by \$24,449 in 2006 compared with a \$56,143 decrease in 2005. Revenues increased \$23,710 while expenses increased \$17,016 and no transfers were made to the Public Utilities Fund. The primary reason for the change in the rate of decrease in the net assets of the Governmental Activities from 2005 can be attributed to the decrease in the need to transfer funds from the General Fund to the Public Utilities Fund for payment on the Township's outstanding bonds. These bonds were used to construct the infrastructure needed to provide public water and sewer to a portion of the Township. The Public Utilities Fund customer base and revenues have increased and are able to fund more operations and debt payments from these increased revenues rather than relying on inflows of cash from the general funds of the Township.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The cost of all governmental activities this year was \$800,292 compared to \$783,276 in 2005. After subtracting the direct charges to those who directly benefited from the programs (\$239,076), and other operating and capital grants (\$5,093), the "public benefit" portion covered by property taxes, state shared revenue and other general revenues was \$556,123 in 2006 compared to \$554,033 in 2005.

Business-type activities

The business-type activities increased the Township's net assets by \$201,532 in 2006 compared to a \$65,621 in 2005. Revenues increased by \$89,682 while expenses decreased by \$46,229. The key factors which led to this condition include the following:

- Charges for services increased \$24,017 due to the implementation of a rate study with a subsequent increase in user charges. The customer base has also increased due to several new developments in areas served by public sewer and water.
- Capital contributions increased \$78,159 because of increased capital service charges and a larger number of customers, as well as increased developmental fees received due to a large apartment and senior housing complex being constructed in the area served by public sewer and water.
- Expense reductions resulted from decreased engineering and sewer flow costs.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. At March 31, 2006, the Township's governmental funds reported a combined fund balance of \$545,598, \$112,617 less than last year.

Expenditures in the General Fund for 2006 exceeded revenues by \$75,298, compared to a \$57,619 excess of revenues over expenditures in 2005. The change was primarily due to increased spending for roadway construction and repair. The Township used monies from the fund balance to complete several paving projects on local roads, as well as replacing a major culvert which had failed.

The fund balance of the Cemetery Fund decreased this year by \$14,961. Available resources were used to cover \$21,655 in capital outlay costs.

Proprietary fund. The Public Utilities Fund, the Township's sole proprietary fund, experienced an increase in net assets of \$201,532 for reasons explained above.

General Fund budgetary highlights

The Township amended the General Fund budgeted expenditures during the year to reflect increased costs experienced during the year. Total budgeted expenditures were increased by \$68,681. The primary reason for the increase was additional road maintenance costs amounting to \$43,550.

Revenues and transfers in were \$5,427 less than budgeted. General Fund expenditures and transfers to other funds were \$96,497 less than the amounts appropriated, which resulted in a \$91,070 positive budget variance, and a \$97,656 decrease in fund balance compared to a budgeted \$188,726 decrease. There were no negative variances in any of the General Fund functional expenditure classifications.

Township of Otsego
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

At March 31, 2006, the Township had invested \$5,310,192 (net of accumulated depreciation) in various capital assets, including its land, buildings, equipment, and utilities systems. This amount represents a net decrease of \$21,611, comprised of \$164,841 in additions and \$186,452 in provisions for depreciation.

This year's major capital asset additions included:

- \$114,224 in road improvements, an intangible asset
- \$21,655 for cemetery equipment

More detailed information about the Township's capital assets is presented in Note 5 of the basic financial statements.

Debt administration

At the end of the fiscal year, the Township had debt outstanding in the amount of \$1,715,000, which represents a decrease of \$170,000 or 9 percent. All debt is backed by the full faith and credit of the Township.

During the year ended March 31, 2006, the Township refunded \$1,050,000 of its debt, which was partially financed through the issuance of \$965,000 in bonds bearing more favorable interest rates.

All required principal payments, in the amount of \$85,000, were paid in a timely manner.

More detailed information about the Township's noncurrent liabilities is presented in Note 6 of the basic financial statements.

Economic condition and outlook

The Township continues to have a steady rate of growth in residential development as well as stability in the commercial areas along the M-89 corridor leading to an \$9.1 million increase in taxable values in 2006. The Township state shared revenues has been consistent over the past several years and the Township expects to have revenues remain stable for the upcoming year.

Capital improvements, such as paving projects, will be accomplished as the fund balances of the Township allow with no revenues from outside sources being anticipated.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Township of Otsego
P.O. Box 257
400 N. 16th Street
Otsego, MI 49078

Phone: (269) 694-9434

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Otsego, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Otsego, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Otsego, Michigan, as of March 31, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Township of Otsego, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Otsego, Michigan's, basic financial statements. The supplementary data, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

April 26, 2006

BASIC FINANCIAL STATEMENTS

Township of Otsego
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 453,028	\$ 709,192	\$ 1,162,220
Receivables, net	<u>119,236</u>	<u>68,197</u>	<u>187,433</u>
Total current assets	<u>572,264</u>	<u>777,389</u>	<u>1,349,653</u>
Noncurrent assets:			
Receivables, net	-	329,728	329,728
Deferred charges, net of amortization	-	117,656	117,656
Capital assets, net of accumulated depreciation	<u>705,595</u>	<u>4,604,597</u>	<u>5,310,192</u>
Total noncurrent assets	<u>705,595</u>	<u>5,051,981</u>	<u>5,757,576</u>
Total assets	<u>1,277,859</u>	<u>5,829,370</u>	<u>7,107,229</u>
LIABILITIES			
Current liabilities:			
Payables	26,666	15,528	42,194
Noncurrent liabilities:			
Contracts payable	<u>-</u>	<u>1,715,000</u>	<u>1,715,000</u>
Total liabilities	<u>26,666</u>	<u>1,730,528</u>	<u>1,757,194</u>
NET ASSETS			
Invested in capital assets, net of related debt	705,595	2,889,597	3,595,192
Restricted for public works	84,854	-	84,854
Unrestricted	<u>460,744</u>	<u>1,209,245</u>	<u>1,669,989</u>
Total net assets	<u>\$ 1,251,193</u>	<u>\$ 4,098,842</u>	<u>\$ 5,350,035</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 4,500	\$ -	\$ -	\$ -
General government	407,917	146,111	-	-
Public safety	177,557	79,156	-	-
Public works	149,677	8,659	5,093	-
Community and economic development	43,208	5,150	-	-
Culture and recreation	17,433	-	-	-
Total governmental activities	<u>800,292</u>	<u>239,076</u>	<u>5,093</u>	<u>-</u>
Business-type activities:				
Public utilities	<u>540,668</u>	<u>357,208</u>	<u>-</u>	<u>345,427</u>
Totals	<u>\$ 1,340,960</u>	<u>\$ 596,284</u>	<u>\$ 5,093</u>	<u>\$ 345,427</u>

General revenues:
Property taxes
State shared revenue
Cable television franchise fees
Interest income
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expense) revenue and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (4,500)		\$ (4,500)
(261,806)		(261,806)
(98,401)		(98,401)
(135,925)		(135,925)
(38,058)		(38,058)
<u>(17,433)</u>		<u>(17,433)</u>
<u>(556,123)</u>		<u>(556,123)</u>
	\$ 161,967	161,967
<u>(556,123)</u>	<u>161,967</u>	<u>(394,156)</u>
159,832	-	159,832
344,469	-	344,469
10,608	-	10,608
13,916	39,565	53,481
<u>2,849</u>	<u>-</u>	<u>2,849</u>
<u>531,674</u>	<u>39,565</u>	<u>571,239</u>
(24,449)	201,532	177,083
<u>1,275,642</u>	<u>3,897,310</u>	<u>5,172,952</u>
<u>\$ 1,251,193</u>	<u>\$ 4,098,842</u>	<u>\$ 5,350,035</u>

See notes to the financial statements

Township of Otsego
BALANCE SHEET - governmental funds
March 31, 2006

	Major funds		Nonmajor governmental fund	Total governmental funds
	General	Cemetery	Trash	
ASSETS				
Cash	\$ 436,205	\$ 16,823	\$ -	\$ 453,028
Receivables, net	68,300	50,936	-	119,236
Total assets	<u>\$ 504,505</u>	<u>\$ 67,759</u>	<u>\$ -</u>	<u>\$ 572,264</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 26,666	\$ -	\$ -	\$ 26,666
Fund balances:				
Reserved for trash collection	84,854	-	-	84,854
Unreserved	392,985	67,759	-	460,744
Total fund balances	<u>477,839</u>	<u>67,759</u>	<u>-</u>	<u>545,598</u>
Total liabilities and fund balances	<u>\$ 504,505</u>	<u>\$ 67,759</u>	<u>\$ -</u>	<u>\$ 572,264</u>
Total fund balances - governmental funds				\$ 545,598
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				705,595
Net assets of <i>governmental activities</i>				<u>\$ 1,251,193</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2006

	Major funds		Nonmajor governmental fund	Total governmental funds
	General	Cemetery	Trash	
REVENUES				
Property taxes	\$ 168,445	\$ -	\$ 32,642	\$ 201,087
Licenses and permits	89,894	-	-	89,894
State grants	349,562	-	-	349,562
Contribution from local unit	-	58,578	-	58,578
Charges for services	14,821	29,827	-	44,648
Interest and rentals	15,001	1,215	-	16,216
Other	11,508	4,350	-	15,858
Total revenues	649,231	93,970	32,642	775,843
EXPENDITURES				
Legislative	4,500	-	-	4,500
General government	238,446	142,276	-	380,722
Public safety	128,999	-	-	128,999
Public works	261,530	-	-	261,530
Community and economic development	43,208	-	-	43,208
Culture and recreation	17,433	-	-	17,433
Capital outlay	30,413	21,655	-	52,068
Total expenditures	724,529	163,931	-	888,460
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(75,298)	(69,961)	32,642	(112,617)
OTHER FINANCING SOURCES (USES)				
Transfers in	32,642	55,000	-	87,642
Transfers out	(55,000)	-	(32,642)	(87,642)
Total other financing sources (uses)	(22,358)	55,000	(32,642)	-
NET CHANGE IN FUND BALANCES	(97,656)	(14,961)	-	(112,617)
FUND BALANCES - BEGINNING	575,495	82,720	-	658,215
FUND BALANCES - ENDING	\$ 477,839	\$ 67,759	\$ -	\$ 545,598

Net change in fund balances - total governmental funds \$ (112,617)

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Assets acquired	154,157
Provision for depreciation	(65,989)

Change in net assets of *governmental activities* \$ (24,449)

See notes to the financial statements

Township of Otsego
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2006

	<u>Public utilities</u>
ASSETS	
Current assets:	
Cash	\$ 709,192
Receivables, net	<u>68,197</u>
Total current assets	<u>777,389</u>
Noncurrent assets:	
Receivables, net	329,728
Deferred charges	117,656
Capital assets, net of accumulated depreciation	<u>4,604,597</u>
Total noncurrent assets	<u>5,051,981</u>
Total assets	<u>5,829,370</u>
LIABILITIES	
Current liabilities:	
Payables	15,528
Noncurrent liabilities:	
Contracts payable	<u>1,715,000</u>
Total liabilities	<u>1,730,528</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,889,597
Unrestricted	<u>1,209,245</u>
Total net assets	<u>\$ 4,098,842</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary funds*
Year ended March 31, 2006

	<u>Public utilities</u>
OPERATING REVENUES	
Charges for services	\$ 357,208
OPERATING EXPENSES	
Salaries	41,585
Payroll taxes	3,656
Pension	4,248
Professional fees	27,158
Insurance	16,529
Utilities	10,377
Supplies and maintenance	26,308
Sewage flow	188,998
Depreciation	103,463
Amortization	17,000
Other	1,330
Total operating expenses	<u>440,652</u>
Operating loss	<u>(83,444)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue:	
Special assessments	19,589
Other	19,976
Special assessments	21,770
Capital charges	128,798
Development fees	194,859
Interest expense and fiscal charges	<u>(100,016)</u>
Total nonoperating revenues	<u>284,976</u>
CHANGE IN NET ASSETS	201,532
NET ASSETS - BEGINNING	<u>3,897,310</u>
NET ASSETS - ENDING	<u>\$ 4,098,842</u>

See notes to the financial statements

Township of Otsego
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2006

	<u>Public utilities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 358,931
Payments to vendors and suppliers	(277,512)
Payments to employees	<u>(41,585)</u>
Net cash provided by operating activities	<u>39,834</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipt of capital charges	128,798
Receipt of development fees	194,859
Collection of special assessment principal	51,937
Collection of special assessment interest	19,589
Acquisition of fixed assets	(10,684)
Proceeds from issuance of capital debt	965,000
Bond issuance costs	(84,619)
Principal payments on capital debt	(1,135,000)
Interest payments on capital debt	<u>(94,185)</u>
Net cash provided by capital and related financing activities	<u>35,695</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>19,976</u>
NET INCREASE IN CASH	95,505
CASH - BEGINNING	<u>613,687</u>
CASH - ENDING	<u>\$ 709,192</u>

See notes to the financial statements

Township of Otsego

STATEMENT OF CASH FLOWS - *proprietary fund* (Continued)

Year ended March 31, 2006

	<u>Public Utilities</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (83,444)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	103,463
Amortization	17,000
Decrease in receivables	1,723
Increase in payables	<u>1,092</u>
 Net cash provided by operating activities	 <u>\$ 39,834</u>

See notes to the financial statements

Township of Otsego

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

March 31, 2006

ASSETS

Cash	\$ <u>26,265</u>
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LIABILITIES

Due to other governmental units	\$ <u>26,265</u>
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See notes to the financial statements

Township of Otsego
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Otsego, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Cemetery Fund accounts for the financial resources used for the operational costs of the Township's cemeteries. Revenues are primarily derived from charges for services and contributions from a local unit.

The Township reports the following major proprietary fund:

The Public Utilities Fund accounts for the activities of the Township's sewage collection and water distribution systems.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

The Township includes shared fire vehicle costs in the intangible assets of its governmental activities. These costs represent the Township's portion of fire vehicles that are owned by the City of Otsego.

The Township includes sewage capacity rights in the intangible assets of its business-type activities. These costs represent the Township's sewage capacity rights through the City of Plainwell.

Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 15 years
Sewer and water systems	50 years
Intangible assets	5 - 25 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township considers property taxes levied December 1 to be revenues of the current period.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year. The Township experienced no significant budget variances during the fiscal year.

NOTE 3 - CASH:

At March 31, 2006, the Township's cash is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Cash	\$ 453,028	\$ 709,192	\$ 26,265	\$ 1,188,485

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$1,011,835 of the Township's bank balances of \$1,218,195 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At March 31, 2006, the Township's receivables are as follows:

	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental activities:					
General Fund	\$ -	\$ 12,351	\$ -	\$ 55,949	\$ 68,300
Cemetery Fund	-	-	-	50,936	50,936
Total governmental activities	<u>\$ -</u>	<u>\$ 12,351</u>	<u>\$ -</u>	<u>\$ 106,885</u>	<u>\$ 119,236</u>
Business-type activities:					
Public Utilities Fund	<u>\$ 30,759</u>	<u>\$ -</u>	<u>\$ 367,166</u>	<u>\$ -</u>	<u>\$ 397,925</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,728</u>	<u>\$ -</u>	<u>\$ 329,728</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 11,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,850</u>
Capital assets being depreciated:				
Land improvements	7,000	-	-	7,000
Buildings	227,565	8,650	1,900	234,315
Equipment	153,422	31,283	-	184,705
Intangible assets	<u>688,525</u>	<u>114,224</u>	<u>-</u>	<u>802,749</u>
Total capital assets being depreciated	<u>1,076,512</u>	<u>154,157</u>	<u>1,900</u>	<u>1,228,769</u>
Less accumulated depreciation for:				
Land improvements	361	233	-	594
Buildings	67,462	7,180	1,900	72,742
Equipment	121,455	18,829	-	140,284
Intangible assets	<u>281,657</u>	<u>39,747</u>	<u>-</u>	<u>321,404</u>
Total accumulated depreciation	<u>470,935</u>	<u>65,989</u>	<u>1,900</u>	<u>535,024</u>
Total capital assets being depreciated, net	<u>605,577</u>	<u>88,168</u>	<u>-</u>	<u>693,745</u>
Governmental activities capital assets, net	<u>\$ 617,427</u>	<u>\$ 88,168</u>	<u>\$ -</u>	<u>\$ 705,595</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated -				
land	\$ 51,860	\$ -	\$ -	\$ 51,860
Capital assets being depreciated:				
Sewer and water systems	4,917,510	-	-	4,917,510
Equipment	46,889	10,684	-	57,573
Intangible assets	425,000	-	-	425,000
Total capital assets being depreciated	5,389,399	10,684	-	5,400,083
Less accumulated depreciation for:				
Sewer and water system	649,204	98,340	-	747,544
Equipment	30,079	5,123	-	35,202
Intangible assets	47,600	17,000	-	64,600
Total accumulated depreciation	726,883	120,463	-	847,346
Total capital assets being depreciated, net	4,662,516	(109,779)	-	4,552,737
Total business-type activities capital assets, net	\$ 4,714,376	\$ (109,779)	\$ -	\$ 4,604,597

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 24,172
Public safety	39,446
Public works	2,371
Total governmental activities	\$ 65,989

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities, at March 31, 2006, are comprised of the following individual issues:

\$1,375,000 2000 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$50,000 to \$75,000, plus interest at 5.10% to 5.30%; final payment due May 2009	\$ 175,000
\$645,000 2004 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$35,000 to \$60,000, plus interest at 2.00% to 4.13%; final payment due May 2016	575,000
\$965,000 2006 Allegan County water supply and sewage disposal system contract payable - payable in annual installments ranging from \$75,000 to \$105,000, plus interest at 3.80% to 4.50%; final payment due May 2020	<u>965,000</u>
Total noncurrent liabilities	<u>\$ 1,715,000</u>

a) *Noncurrent liability activity for the year ended March 31, 2006, was as follows:*

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Business-type activities:				
2000 contract payable	\$ 1,275,000	\$ -	\$ (1,100,000)	\$ 175,000
2004 contract payable	610,000	-	(35,000)	575,000
2006 contract payable	<u>-</u>	<u>965,000</u>	<u>-</u>	<u>965,000</u>
Total business-type activities	<u>\$ 1,885,000</u>	<u>\$ 965,000</u>	<u>\$ (1,135,000)</u>	<u>\$ 1,715,000</u>

b) *Debt service requirements at March 31, 2006, were as follows:*

<i>Year ended March 31:</i>	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 60,363
2008	110,000	68,654
2009	105,000	64,248
2010	205,000	57,699
2011	125,000	51,052
2012 - 2016	690,000	180,532
2017 - 2021	<u>480,000</u>	<u>39,559</u>
Totals	<u>\$ 1,715,000</u>	<u>\$ 522,107</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Contributions range from \$200 to \$3,600 per employee, at a rate of \$100 per \$1,000 of compensation. The Township's contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made the required contributions of \$20,162 for the fiscal year ending March 31, 2006.

NOTE 8 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Cemetery	\$ 55,000	General	\$ 55,000
General	32,642	Trash	32,642
	<u>\$ 87,642</u>		<u>\$ 87,642</u>

The transfer to the Cemetery Fund represents unrestricted revenues from the General Fund to help pay for operational costs of the Township's cemeteries.

The transfer to the General Fund represents restricted revenues collected in the Trash Fund to pay for operational costs of trash collection accounted for in the General Fund.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 79,156
Expenses	<u>75,958</u>
Excess of revenues over expenses	<u>\$ 3,198</u>

Township of Otsego
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - ADVANCE BOND REFUNDING AND DEFEASANCE:

On March 21, 2006, the Township, through Allegan County, issued \$965,000 in limited tax general obligation bonds with an average interest rate of 4.299% to refund \$1,050,000 of outstanding 2000 Series bonds with average interest rates of 5.74%. The net proceeds of \$918,668 (after payment of issuance costs in the amount of \$46,332) and a \$200,000 cash deposit from available funds from the Township's Public Utilities Fund were used to purchase government securities, which were deposited in an irrevocable trust with an escrow agent. These funds will be used to call the outstanding 2000 bonds on April 15, 2009.

The Township completed the refunding to reduce its total debt service payments over the next 15 years by \$109,762 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$35,730. The net issuance costs are being amortized over the life of the new bonds.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Otsego

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 164,927	\$ 166,604	\$ 168,445	\$ 1,841
Licenses and permits	75,630	91,832	89,894	(1,938)
State grants	342,493	342,493	349,562	7,069
Charges for services	18,390	18,390	14,821	(3,569)
Interest and rentals	11,500	21,200	15,001	(6,199)
Other	11,845	14,161	11,508	(2,653)
Total revenues	<u>624,785</u>	<u>654,680</u>	<u>649,231</u>	<u>(5,449)</u>
EXPENDITURES				
Legislative	<u>5,121</u>	<u>5,301</u>	<u>4,500</u>	<u>801</u>
General government:				
Supervisor	17,739	17,739	16,874	865
Elections	17,500	17,500	2,034	15,466
Assessor	32,600	33,450	33,445	5
Clerk	28,133	28,133	26,501	1,632
Board of review	1,500	1,500	1,334	166
Treasurer	27,633	27,633	27,034	599
Hall and grounds	30,000	31,000	29,458	1,542
General administration	102,725	105,875	101,766	4,109
Total general government	<u>257,830</u>	<u>262,830</u>	<u>238,446</u>	<u>24,384</u>
Public safety:				
Fire protection	73,115	64,115	63,447	668
Inspections	58,500	65,560	65,552	8
Total public safety	<u>131,615</u>	<u>129,675</u>	<u>128,999</u>	<u>676</u>
Public works:				
Road maintenance and improvements	169,950	213,500	207,482	6,018
Street lights	2,200	2,200	1,767	433
Drains	15,000	5,759	(316)	6,075
Refuse collection	38,000	45,682	35,453	10,229
Recycling	-	7,682	7,682	-
Engineering	10,000	10,000	9,462	538
Total public works	<u>235,150</u>	<u>284,823</u>	<u>261,530</u>	<u>23,293</u>

Township of Otsego

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 45,745	\$ 46,695	\$ 43,208	\$ 3,487
Culture and recreation - community education	17,433	17,433	17,433	-
Capital outlay	16,100	38,600	30,413	8,187
Total expenditures	708,994	785,357	724,529	60,828
DEFICIENCY OF REVENUES OVER EXPENDITURES	(84,209)	(130,677)	(75,298)	55,379
OTHER FINANCING SOURCES (USES)				
Operating transfer in - Trash Fund	32,367	32,620	32,642	22
Operating transfers out:				
Cemetery Fund	(73,350)	(73,350)	(55,000)	18,350
Public Utilities Fund	(25,000)	(25,000)	-	25,000
Total other financing uses	(65,983)	(65,730)	(22,358)	43,372
NET CHANGES IN FUND BALANCES	(150,192)	(196,407)	(97,656)	98,751
FUND BALANCES - BEGINNING	575,495	575,495	575,495	-
FUND BALANCES - ENDING	\$ 425,303	\$ 379,088	\$ 477,839	\$ 98,751

Township of Otsego
BUDGETARY COMPARISON SCHEDULE - Cemetery Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Contribution from local unit	\$ 54,807	\$ 62,448	\$ 58,578	\$ (3,870)
Charges for services	27,000	27,975	29,827	1,852
Interest	500	1,200	1,215	15
Other	100	4,400	4,350	(50)
Total revenues	<u>82,407</u>	<u>96,023</u>	<u>93,970</u>	<u>(2,053)</u>
EXPENDITURES				
General government	151,111	149,161	142,276	6,885
Capital outlay	750	22,322	21,655	667
Total expenditures	<u>151,861</u>	<u>171,483</u>	<u>163,931</u>	<u>7,552</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(69,454)	(75,460)	(69,961)	5,499
OTHER FINANCING SOURCES				
Operating transfer in - General Fund	<u>73,350</u>	<u>71,675</u>	<u>55,000</u>	<u>(16,675)</u>
NET CHANGES IN FUND BALANCES	3,896	(3,785)	(14,961)	(11,176)
FUND BALANCES - BEGINNING	<u>82,720</u>	<u>82,720</u>	<u>82,720</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 86,616</u>	<u>\$ 78,935</u>	<u>\$ 67,759</u>	<u>\$ (11,176)</u>

SUPPLEMENTARY DATA

Township of Otsego

SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

\$1,375,000 2000 WATER SUPPLY AND SEWAGE DISPOSAL

SYSTEM CONTRACT PAYABLE

March 31, 2006

<u>Fiscal period</u>	<u>Interest rate</u>	<u>Interest</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
		<u>May 1</u>	<u>November 1</u>			
2007	5.10%	\$ -	\$ 4,600	05/01/06	\$ -	\$ 4,600
2008	5.20%	4,600	3,300	05/01/07	50,000	57,900
2009	5.25%	3,300	1,988	05/01/08	50,000	55,288
2010	5.30%	1,987	-	05/01/09	75,000	76,987
		<u>\$ 9,887</u>	<u>\$ 9,888</u>		<u>\$ 175,000</u>	<u>\$ 194,775</u>

Township of Otsego

SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

\$645,000 2004 WATER SUPPLY AND SEWAGE DISPOSAL

SYSTEM CONTRACT PAYABLE

March 31, 2006

<u>Fiscal period</u>	<u>Interest rate</u>	<u>Interest</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
		<u>May 1</u>	<u>November 1</u>			
2007	2.500%	\$ -	\$ 10,424	05/01/06	\$ -	\$ 10,424
2008	3.000%	10,424	9,524	05/01/07	60,000	79,948
2009	3.250%	9,524	8,630	05/01/08	55,000	73,154
2010	3.375%	8,630	7,702	05/01/09	55,000	71,332
2011	3.375%	7,702	6,858	05/01/10	50,000	64,560
2012	3.500%	6,858	5,983	05/01/11	50,000	62,841
2013	3.625%	5,983	5,167	05/01/12	45,000	56,150
2014	3.800%	5,167	3,837	05/01/13	70,000	79,004
2015	3.900%	3,837	2,570	05/01/14	65,000	71,407
2016	4.100%	2,570	1,238	05/01/15	65,000	68,808
2017	4.125%	1,238	-	05/01/16	60,000	61,238
		<u>\$ 61,933</u>	<u>\$ 61,933</u>		<u>\$ 575,000</u>	<u>\$ 698,866</u>

Township of Otsego**SCHEDULE OF ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS****\$965,000 2006 WATER SUPPLY AND SEWAGE DISPOSAL****SYSTEM CONTRACT PAYABLE**

March 31, 2006

<u>Fiscal</u> <u>period</u>	<u>Interest</u> <u>rate</u>	<u>Interest</u>		<u>Maturity</u> <u>date</u>	<u>Principal</u>	<u>Total</u> <u>requirements</u>
		<u>May 1</u>	<u>November 1</u>			
2007	3.80%	\$ 24,936	\$ 20,403		\$ -	\$ 45,339
2008	3.80%	20,403	20,403		-	40,806
2009	3.80%	20,403	20,403		-	40,806
2010	3.80%	20,403	18,977	05/01/09	75,000	114,380
2011	3.80%	18,977	17,515	05/01/10	75,000	111,492
2012	3.90%	17,515	16,115	05/01/11	70,000	103,630
2013	4.00%	16,115	14,680	05/01/12	70,000	100,795
2014	4.10%	14,680	13,228	05/01/13	70,000	97,908
2015	4.15%	13,228	11,232	05/01/14	95,000	119,460
2016	4.20%	11,232	9,297	05/01/15	90,000	110,529
2017	4.30%	9,297	7,340	05/01/16	90,000	106,637
2018	4.35%	7,340	4,810	05/01/17	115,000	127,150
2019	4.40%	4,810	2,362	05/01/18	110,000	117,172
2020	4.45%	2,362	-	05/01/19	105,000	107,362
		<u>\$ 201,701</u>	<u>\$ 176,765</u>		<u>\$ 965,000</u>	<u>\$ 1,343,466</u>